

**ORIGINAL
OPEN MEETING**



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MEMORANDUM

Arizona Corporation Commission

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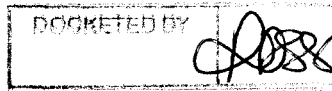
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AZ CORP COMMISSION
DOCKET CONTROL

TO: THE COMMISSION

FROM: Utilities Division

DATE: November 16, 2011



RE: CASA GRANDE WEST WATER COMPANY, INC., APPLICATION FOR IMPLEMENTATION OF AN ARSENIC REMEDIATION SURCHARGE (DOCKET NOS. W-01990A-09-0572 AND W-01990A-09-0573)

Introduction

Casa Grande West Water Company, Inc. ("Casa Grande" or "Company") is an Arizona C corporation and a certificated Class D public service corporation that provides water service to approximately 294 customers near the City of Casa Grande in Pinal County, Arizona.

Background

The Company's current rates were approved in Decision No. 72035, issued December 10, 2010, in the above-named dockets.

Decision No. 72035 also authorized the Company to borrow up to \$259,335 from the Water Infrastructure Finance Authority of Arizona ("WIFA") to fund the construction of two separate projects: \$142,835 for a centralized arsenic treatment facility and \$116,500 for a water storage facility.

Decision No. 72035 further authorized the Company, after it has secured the WIFA loan, to file for implementation of an arsenic remediation surcharge ("surcharge") for the debt service obligation related to arsenic remediation, based on the methodology recommended by Staff in its Staff Report filed on August 14, 2010. Consequently, on September 29, 2011, the Company filed the instant request to implement the surcharge.

Surcharge

In its Staff Report filed on August 14, 2010, Staff set forth a methodology for determining the surcharge amount once the Company knew the final loan amount and terms. Staff's methodology involved: 1) finding the annual principal payment amount; 2) finding the annual interest payment amount; 3) finding the income taxes associated with the revenues needed to make principal payments; 4) calculating the total annual surcharge revenue requirement, which is the sum of the annual interest, principal, and income taxes; 5) determining

the equivalent bills for each meter size;¹ and 6) determining the monthly surcharge for each meter size by dividing the annual surcharge revenue by the number of equivalent customer bills in that meter size.

Staff has replicated the methodology adopted by Decision No. 72035, to reflect the most recent data.² The resulting surcharge would be \$3.33 per month for the 3/4-inch meter customers and \$5.55 per month for the 1-inch meter customers, as indicated in the attached Exhibit A.

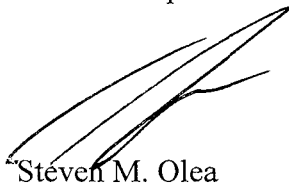
Conclusions and Recommendations

Staff concludes that implementation of the surcharge amounts as shown on Exhibit A is consistent with Decision No. 72035.

Staff recommends approval of the surcharge amounts as shown on Exhibit A.

Staff further recommends that the Company file a tariff explaining the terms and conditions of the surcharge within 30 days of the effective date of the Decision in this proceeding.

Staff further recommends that the Company notify its customers of the surcharge tariff, in a form acceptable to Staff, within 30 days of the effective date of the Decision in this proceeding.



Steven M. Olea
Director
Utilities Division

SMO:NLS:sms\KAR

ORIGINATOR: Nancy L. Scott

¹ Using the 5/8 x 3/4-inch meter as the base customer class and applying the American Water Works Association capacity multipliers.

² The final loan documents indicate approval of \$259,335 amortized over 20 years at an interest rate of 4.20%. Additionally, the customer counts by meter size have been updated, per the Company, to reflect that all 5/8 x 3/4-inch meters have since been replaced with 3/4-inch meters.

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 GARY PIERCE
Chairman

3 BOB STUMP
Commissioner

4 SANDRA D. KENNEDY
Commissioner

5 PAUL NEWMAN
Commissioner

6 BRENDA BURNS
Commissioner

7
8 IN THE MATTER OF THE APPLICATION)
OF CASA GRANDE WEST WATER)
9 COMPANY, INC. FOR APPROVAL OF)
10 FINANCING)

DOCKET NO. W-01990A-09-0572

11 IN THE MATTER OF THE APPLICATION)
OF CASA GRANDE WEST WATER)
12 COMPANY, INC. FOR A RATE INCREASE)

DOCKET NO. W-01990A-09-0573

13 **(REQUEST TO IMPLEMENT ARSENIC**
14 **REMEDIATION SURCHARGE)**

DECISION NO. _____

15 **ORDER**

16 _____
Open Meeting
December 13-14, 2011
17 Phoenix, Arizona

18 BY THE COMMISSION:

19 Casa Grande West Water Company, Inc. ("Casa Grande" or "Company") is an Arizona C
20 corporation and a certificated Class D public service corporation that provides water service to
21 approximately 294 customers near the City of Casa Grande in Pinal County, Arizona.

22 Having considered the entire record herein and being fully advised in the premises, the
23 Commission finds, concludes, and orders that:

24 **FINDINGS OF FACT**

25 1. The Company's current rates were approved in Decision No. 72035, issued
26 December 10, 2010, in the above-named dockets.

27 2. Decision No. 72035 also authorized the Company to borrow up to \$259,335 from
28 the Water Infrastructure Finance Authority of Arizona ("WIFA") to fund the construction of two

1 separate projects: \$142,835 for a centralized arsenic treatment facility and \$116,500 for a water
2 storage facility.

3 3. Decision No. 72035 further authorized the Company, after it has secured the WIFA
4 loan, to file for implementation of an arsenic remediation surcharge ("surcharge") for the debt
5 service obligation related to arsenic remediation, based on the methodology recommended by Staff
6 in its Staff Report filed on August 14, 2010.

7 4. On September 29, 2011, pursuant to Decision No. 72035, the Company filed the
8 instant request to implement the surcharge.

9 5. In its Staff Report filed on August 14, 2010, Staff set forth a methodology for
10 determining the surcharge amount once the Company knew the final loan amount and terms.
11 Staff's methodology involved: 1) finding the annual principal payment amount; 2) finding the
12 annual interest payment amount; 3) finding the income taxes associated with the revenues needed
13 to make principal payments; 4) calculating the total annual surcharge revenue requirement, which
14 is the sum of the annual interest, principal, and income taxes; 5) determining the equivalent bills
15 for each meter size; and 6) determining the monthly surcharge for each meter size by dividing the
16 annual surcharge revenue by the number of equivalent customer bills in that meter size.

17 6. Staff has replicated the methodology adopted by Decision No. 72035, to reflect the
18 most recent data. The resulting surcharge would be \$3.33 per month for the 3/4-inch meter
19 customers and \$5.55 per month for the 1-inch meter customers, as indicated in the attached Exhibit
20 A.

21 7. Staff concludes that implementation of the surcharge amounts as shown on Exhibit
22 A is consistent with Decision No. 72035.

23 8. Staff recommends approval of the surcharge amounts as shown on Exhibit A.

24 9. Staff further recommends that the Company file a tariff explaining the terms and
25 conditions of the surcharge within 30 days of the effective date of the Decision in this proceeding.

26 10. Staff further recommends that the Company notify its customers of the surcharge
27 tariff within 30 days of the effective date of the Decision in this proceeding.

28 . . .

11. Staff's conclusions and recommendations are reasonable and should be adopted.

CONCLUSIONS OF LAW

1. The Company is a public service corporation within the meaning of Article XV of the Arizona Constitution and A.R.S. §§ 40-250 and 40-252.

2. The Commission has jurisdiction over the Company and of the subject matter of the application.

3. Approval of the Company's arsenic remediation surcharges is consistent with the Commission's authority under the Arizona Constitution and applicable case law.

4. It is in the public interest to authorize the Company's request for approval of the arsenic remediation surcharges as discussed herein.

ORDER

IT IS THEREFORE ORDERED that the application by Casa Grande West Water Company, Inc. for the implementation of an arsenic remediation surcharge is hereby approved, as discussed herein, and shown on attached Exhibit A.

IT IS FURTHER ORDERED that Casa Grande West Water Company, Inc. shall file with the Commission's Docket Control, as a compliance item in this docket, a tariff explaining the terms and conditions of the arsenic remediation surcharge, within 30 days of the date of this Decision.

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1 IT IS FURTHER ORDERED that Casa Grande West Water Company, Inc. shall notify its
2 customers of the Arsenic Remediation Surcharge tariff, in a form acceptable to Staff, within 30
3 days of the effective date of the Decision resulting from this proceeding.

4 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

5
6 **BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

7
8 _____
CHAIRMAN

COMMISSIONER

9
10
11 _____
COMMISSIONER

COMMISSIONER

COMMISSIONER

12
13 IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,
14 Executive Director of the Arizona Corporation Commission,
15 have hereunto, set my hand and caused the official seal of
16 this Commission to be affixed at the Capitol, in the City of
17 Phoenix, this _____ day of _____, 2011.

18 _____
ERNEST G. JOHNSON
19 EXECUTIVE DIRECTOR

20
21 DISSENT: _____

22 DISSENT: _____

23 SMO:NLS:sms\KAR
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1 SERVICE LIST FOR: Casa Grande West Water Company, Inc.
2 DOCKET NOS. W-01990A-09-0572 AND W-01990A-09-0573

3 Casa Grande West Water Company, Inc.
4 c/o Jere Hansen CPA
5 109 W Second St
6 Casa Grande, Arizona 85122

7 Mr. Steven M. Olea
8 Director, Utilities Division
9 Arizona Corporation Commission
10 1200 West Washington Street
11 Phoenix, Arizona 85007

12 Ms. Janice Alward
13 Chief Counsel, Legal Division
14 Arizona Corporation Commission
15 1200 West Washington Street
16 Phoenix, Arizona 85007
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Casa Grande West Water Company, Inc.
Docket No. W-01990A-09-0572 and W-01990A-09-0573

Exhibit A

CALCULATION OF SURCHARGE AMOUNT

Arsenic Remediation Plant Loan Amount		\$142,835
Total Yearly Interest and Principal Payments Based on a 20-year WIFA Loan and a 4.20% Interest Rate.		\$ 10,568
Annual Income Tax Component of the Surcharge Revenue		\$ 1,232
Total Annual Surcharge Revenue Requirement for the Loan		\$ 11,801
Total Equivalent Annual Bills		5,316
5/8"x 3/4" Meter Surcharge Amount	(11,801 / 5316)	\$ 2.22
3/4" Meter Surcharge Amount	\$2.22 * 1.5	\$ 3.33
1" Meter Surcharge Amount	\$2.22 * 2.5	\$ 5.55
1 1/2" Meter Surcharge Amount	\$2.22 * 5	\$ 11.10
2" Meter Surcharge Amount	\$2.22 * 8	\$ 17.76
3" Meter Surcharge Amount	\$2.22 * 16	\$ 35.52
4" Meter Surcharge Amount	\$2.22 * 25	\$ 55.50
6" Meter Surcharge Amount	\$2.22 * 50	\$ 110.99

Meter Size	Number of Customers	Customer Multiplier	Equivalent Customers	Equivalent No. of Bills	Monthly Surcharge	Yearly Surcharge	Total Amount
5/8" x 3/4" Meter	-	1	-	-	\$ 2.22	\$ -	\$ -
3/4" Meter	292	1.5	438	5,256	3.33	39.96	11,667.42
1" Meter	2	2.5	5	60	5.55	66.59	133.19
1 1/2" Meter	-	5	-	-	11.10	-	-
2" Meter	-	8	-	-	17.76	-	-
3" Meter	-	16	-	-	35.52	-	-
4" Meter	-	25	-	-	55.50	-	-
6" Meter	-	50	-	-	110.99	-	-
TOTAL	294		443	5,316			\$11,800.61